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## **MEDIA ADVISORY**

**Ambassador Matthew Bryza**  
**Speech to Plenary Session for Caspian Oil and Gas Show 2011**  
**June 8, 2011**

### **As Delivered:**

I extend my sincere thanks to you, Sir Andrew, to the conference organizers, and to our Azerbaijani hosts – especially to Mr. Rovnag Abdullayev. I know he's left for a bit, but he is perhaps Azerbaijan's top football fan. Now that Commissioner Oettinger has left, I can underscore what a great game Azerbaijan played last night. Germany squeezed a victory out three to one, but it was extremely exciting and predictions of a huge runaway by our German friends didn't happen, so congratulations to Azerbaijan. And congratulations to Germany, too.

This morning, it has been deeply rewarding to hear from Mr. Abdullayev, Commissioner Oettinger, and Ambassador Morningstar how the core ideas we have discussed during this session in previous years are now becoming reality.

At first glance, these two photographs seem to have nothing in common. But, I hope that by the end of my presentation, you will agree that together, they underscore how significant the next year can be for all of us here today, as the Southern Corridor moves beyond theory and into real investment decisions, and as Azerbaijan feels the encouraging and discerning gaze of millions of Europeans in preparation for the Eurovision song contest next spring that will bring tens of thousands of visitors to Baku.

The commercial partnership Azerbaijan established with Western oil companies and governments in 1994 changed the strategic map in this part of the world, leading to production sharing agreements that generated large-scale oil production and that ensured Azerbaijan would matter in boardrooms and halls of government on both sides of the Atlantic. This point is underscored by the photo on the left depicting the launch of first oil into the Baku-Tbilisi-Ceyhan pipeline in May 2006.

The successful public-private partnerships that realized these mega projects led to Azerbaijan's strategic partnership with the United States and later, its inclusion in the European Union's Eastern Partnership program. For the United States, our strategic engagement with Azerbaijan

over the past 17 years has expanded beyond energy and into broader security issues as well as internal reform.

Sustaining progress in all three of these areas simultaneously – energy, security, and internal reform – can be difficult. But, the strategic benefits are worth the investment. If, working together, we succeed in advancing all three sets of interests, Azerbaijan can emerge as a center of stability in a vital region, and a country that proves that a proverbial “third way” of socio-political development really does exist between the poles of extremism and authoritarianism. A secular, democratic, and prosperous Azerbaijan that is at peace with its neighbors and increasingly integrated into global markets can provide powerful inspiration to reformers in Azerbaijan’s immediate neighborhood and well beyond. And, as I will argue below, the prospect of hosting Eurovision 2012 may serve as an important catalyst for balanced progress on all three sets of our strategic interests.

Balance has been a central organizing principle of Azerbaijani foreign policy since the signing of the Contract of the Century in 1994. During the ensuing years, Baku has consistently sought to parlay the development and export of its oil and gas resources into a balanced foreign policy that maintains civility with two of its imposing neighbors while securing Azerbaijan’s independence through strategic partnership with the United States and Europe.

Similarly, the United States and our European Allies have viewed our cooperation with Azerbaijan as a way to maintain balance in energy markets. We support the Southern Corridor because it can help ensure natural gas will reach European consumers on the basis of prices determined by market rather than monopolistic forces.

We are enormously impressed by the progress Azerbaijan and the Shah Deniz consortium, along with their international partners, have made in the last year. Gas sales discussions are now in full swing, and consortia are actively competing to develop the transit system to Europe. We hope completion of Shah Deniz II negotiations may be coming into sight. We also hope American companies will become involved in this historic project.

Beyond energy, Azerbaijan is also playing an important role in maintaining a range of key balances on broader security issues.

In Afghanistan, Azerbaijan plays a key role in maintaining balance in our transportation options, keeping other transit partners honest and thereby keeping our vital supply lines open at a fair price. It is difficult to overestimate how loyal a partner Azerbaijan has been in this regard. Less than 24 hours after the terrorist attacks of September 11, 2001, President Heydar Aliyev offered us unlimited over-flight permission for official U.S. aircraft flying to Afghanistan. Since then, virtually every U.S. soldier deployed to Afghanistan has flown over Azerbaijan. Moreover, a significant and growing percentage of supplies to U.S. and Coalition forces now transits Azerbaijan to Afghanistan via the Northern Distribution Network. In fact, approximately half of all supplies that reach Afghanistan by routes other than Pakistan now transit Azerbaijan.

And, Azerbaijan thinks in similar ways about us with regard to balance on security matters. Azerbaijan has provided crucial cooperation in fighting terrorism, apprehending dangerous terrorist suspects and protecting the diplomatic and commercial facilities of the United States and our Allies. And, Azerbaijan expects similar help from us on issues vital to its national security.

Most importantly, Azerbaijan seeks our help in securing a just and peaceful settlement of the Nagorno Karabakh conflict. And, Azerbaijan is receiving that help. As Presidents Obama, Sarkozy, and Medvedev noted two weeks ago during the G8's Summit in Deauville, our joint efforts within the OSCE's Minsk Group have brought Azerbaijan and Armenia to the point at which they should now finalize agreement on the Basic Principles that will outline a final settlement of the conflict. Secretary Clinton underscored this message to Foreign Minister Mammadyarov last Friday in Washington, stressing our continued intensive effort at the most senior levels and within the OSCE's Minsk Group to help the parties finalize those Basic Principles and then move forward to a final peace treaty.

Finally, I would note that balance also plays an important role in the advance of internal reform, the key to long-term stability. Compared with the dark years of the early 1990's, Azerbaijan has made remarkable progress in reducing poverty (from 49 percent in 2003 to 9.1 percent in 2009, according to the World Bank), building new road and information infrastructure across the country, beautifying this city, and now, diversifying economic growth – especially in agriculture, information technology, and tourism. Balancing out economic growth into diverse economic sectors has now transcended the realm of slogans and is starting to become reality, as I have witnessed with my own eyes in recent months while traveling around Azerbaijan.

The broadening of dynamism throughout Azerbaijan's economy has inspired this country's young and educated population. Thanks to the enormous wealth generated by the organizations represented in this room, ambitious Azerbaijanis have set their sights on professional and social goals that now seem achievable. As a result, Azerbaijan enjoys a level of social stability that differentiates it from the countries of the Middle East and North Africa undergoing upheaval. In simple terms, Azerbaijan is a stable country.

At the same time, as young Azerbaijanis achieve their initial goals in coming years, they will seek upward mobility into elite levels of economic and political influence. With their optimism, their vision, they will want a voice in charting the future of this nation. A critical question will therefore be whether economic and political power will become sufficiently diffuse – and thus, balanced -- to satisfy Azerbaijan's most dynamic up-and-coming citizens.

Fortunately, President Aliyev has signaled his recognition of the need to establish greater balance in economic and political power through more significant internal reforms. He announced an anti-corruption effort in late January that is unprecedented for Azerbaijan, and aims to demonstrate to Azerbaijan's citizens that their government exists to help rather than hurt them. This anti-corruption effort complements a range of economic reforms that have gained steam in recent years. Prudent monetary policy by the Central Bank, along with wise investments at home and abroad by the Ministry of Finance and State Oil Fund of Azerbaijan, has avoided "Dutch Disease." Meanwhile, other young and skilled reformers have distinguished Azerbaijan as a key partner in fighting terrorist finance and money-laundering. And just twelve days ago, the release of journalist Eynulla Fatullayev, who had been imprisoned since 2007, marked an important step in strengthening respect for human rights, and hopefully, laying the foundation for deeper democratic reform.

It is essential that Azerbaijan sustains and accelerates this progress. No one in this room seeks revolution; but most recognize the need for change and a deepening of democratic and economic reforms. Everyone wants Azerbaijan to work diligently, day by day, on meaningful reforms that will protect your investments, catalyze broader and deeper economic growth, advance political freedoms, and thereby lay the foundation for long-term stability.

And this is where Eurovision 2012 comes in. During this next year, the eyes of 100 million Europeans will be on Azerbaijan. For years, Azerbaijanis lamented that Europeans paid insufficient attention, and failed to reach out to Azerbaijan as an equal. That has changed. At Eurovision 2011, Europe embraced Azerbaijan more warmly and energetically than ever, essentially saying, "Azerbaijan, we hear you, we see you, we like you. You are part of Europe."

Azerbaijan is now swept by an eagerness to impress as it prepares to perform as a nation on Europe's grand stage. Azerbaijan does not want to blow this golden opportunity to achieve acceptance as a member of Europe's extended family.

This national ambition, which is within reach, has generated a positive energy throughout much of society that I have never felt during my 14 years working with Azerbaijan. As odd as it may sound, the prospect of Eurovision 2012 in Baku may do more to encourage meaningful reform and regional peace than our successful efforts on BTC, our continuing efforts on the Southern Corridor, or the prospect of deeper integration into Euro-Atlantic institutions. Of course, this doesn't mean that Baku will grow any softer in defending its national interests, whether while negotiating on the Southern Corridor or on a peaceful settlement of the Nagorno Karabakh conflict. But I do believe Eurovision 2012 means that our Azerbaijani friends and partners will be more receptive than ever to our continued encouragement and advice, offered in good faith, on the key steps needed to secure peace, human rights, democratic freedom, and stability throughout this strategically important region.

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